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Croatia

HRI Food Service Sector

Report

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Report Highlights: Croatia's slowly improving standard of living is resulting in a growth in consumption of foods eaten away from home. Tourism is also growing and accounts for a significant portion of the economy. Hotel, Restaurant, and Institution (HRI) firms buy most food ingredients from specialized wholesalers. Most imported items are shipped from countries in the European Union, which creates opportunities for U.S. exporters servicing warehouses in Europe. Direct imports are negligible.

Includes PSD changes: No
Includes Trade Matrix: No
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TABLES

Market Summary

In 2002 total Croatian food imports were around $1 billion with most imports coming from neighboring countries. Imports have risen 44 percent from 1999 to 2002.

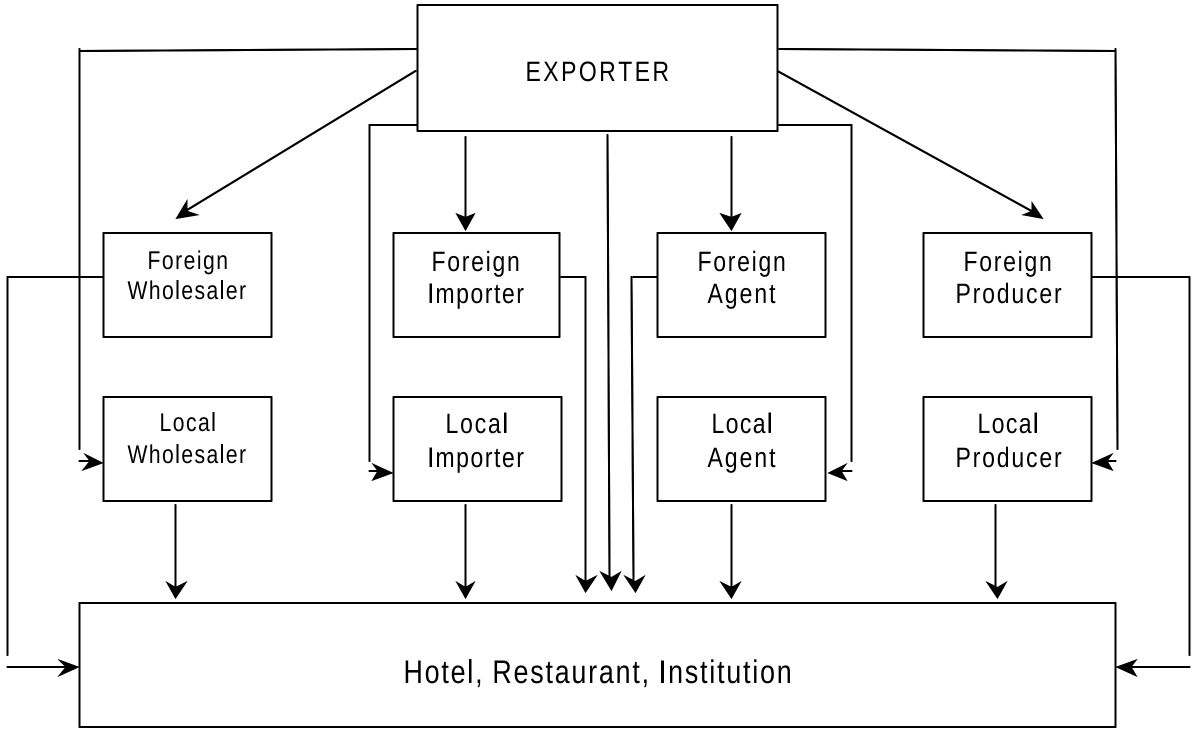
Tourism is highly seasonal but important economic factor in Croatia. Each year about 6 – 7.8 million tourists arrive (compared to Croatia's population of four million). Foreign tourists represent 87-89 percent from total number of tourists. The majority come from Germany, Slovenia, Italy, the Czech Republic, and Austria. Tourists coming from countries outside of Europe are mostly Americans. Tourist infrastructure is satisfactory but still developing, particularly in the main tourist areas.

Advantages	Challenges
Food imports are rising.	Import growth mainly benefits other EU and surrounding countries.
Niche market for various products.	Compliance with strict food regulations.
High quality of U.S. products.	Unawareness of U.S. quality should be countered by market development measures.
More upper class tourists from western countries that are familiar with U.S. products.	Higher prices of U.S. products

I. Road Map for Market Entry

A. Entry Strategy

The best way to establish business contacts with Croatian HRI firms is through their wholesalers. At large regional food trade shows (e.g., ANUGA, SIAL) it is possible to invite Croatian traders to a U.S. booth. Croatian food trading companies always send people to international food fairs in Cologne (ANUGA) and Paris (SIAL). Croatian food traders visit local fairs in Zagreb like Enogastronomy &Tourism, Gastronomy, Vinovita, Agriculture, Autumn International Fair. European fairs are large and relatively close thus Croatians rarely go to U.S. fairs. Information on these shows is available via our web site http://www.usembassy-vienna.at/usda/wwwhag05.html. The market could also be entered through agents with good relations with importers/wholesalers.



B. Market Structure

All large HRI firms buy through local importers, local wholesalers, cash-and carry stores (Metro), and directly from producers. Small HRI firms predominantly buy from wholesalers, cash-and-carry stores (Metro), large retailers, and directly from producers. Wholesalers provide imported and local products. Direct imports are negligible.

C. Sub-Sector Profiles

1. Hotels and Resorts

Hotel and Resort Company Profile

Name	Total Turnover	Number and Location of Hotels	Purchasing Agent
Starwood Hotels and Resorts*	N/a	Opera (Westin) in Zagreb Panorama (Four Points by Sheraton) in	Central purchase, wholesaler, producer

		Zagreb Sheraton in Zagreb	
SRS WorldHotels	N/a	Hotel Esplanade In Zagreb Hotel Millennium in Opatija	Individual purchase, wholesaler, producer

*The contract between the two hotels (Panorama and Opera) was signed on 03/05/03 and it is going to be valid for Panorama from March 2003 and for Opera from December 2003.

Besides those hotels that belong to international hotel chains there are many hotels owned by individuals, and some are that are still owned by the state. Most hotel restaurants offer catering and party service. Many hotels have food and drink and/or banqueting managers and dedicated departments.

In general, tourism is recovering from a slump in 1991-1995, but the sector is becoming more and more sophisticated. Developed tourist parts of Croatia like Dalmacija, Primorje, and Istra, have the highest numbers of hotels. Medical tourism, spas, and agrotourism are growing subsectors. The capital city Zagreb is also an important tourist destinations. The most important tourist season is summer and the most guests come from Germany, Slovenia, Italy, Czech Republic, and Austria.

2. Restaurants

Restaurant Company Profile

a. Family Style Restaurants Company Profile

Chain restaurants, with the exception of fast food restaurants, are not yet present in Croatia. The most important are small traditional restaurants, which are raising the quality of their food and service. Ethnic restaurants have expanded considerably in the recent past, especially pizzerias, Italian, Chinese, and Mexican restaurants.

b. Fast Food

Name	**Total Turnover in 2002**	**Number of outlets**	**Purchasing Agent**
Mc Donald's	$15.4 million	16 All over Croatia	Central purchase, wholesalers, producers, import
Subway	N/a	1 In Zagreb	Individual purchase, wholesalers, producers, import

The fast food market is growing. The biggest consumers of fast food are school kids and students. The lion's share of fast food market is made up of small private companies.

3. Institutional Gastronomy
During the days of socialism in the former Yugoslavia, cafeterias were an integrated part of the firm and often a part of an employees package of benefits. Today company cafeterias have been abandoned all together or sold to private operators. Some employees order meals from catering companies. Private hospitals, nursing and retirement homes are starting to emerge, but they are still negligible in numbers. Most of existing nursing and retirement homes belong to social security authorities. Existing hospitals are public institutions. Purchasing of foods and beverages of hospitals and nursing or retirement homes is usually carried out individually. By law, each hospital must publish a tender at the beginning of each year to select the best food offer. School meals cooked are often cooked on site and purchasing is done through wholesalers and producers.

Catering Company Profile

This sector is still developing, but with rising demand by companies and individuals for catering service it will gain further significance. Catering companies purchase their raw materials from wholesalers. An overview of catering sector is difficult to get because there are no separate statistics for it.

III. Competition

The main competitors for U.S. suppliers are the from EU (esp. Austria, Italy, and Germany) and surrounding countries (Hungary, Italy, Slovenia), followed by the domestic food industry. Austria, Italy, and Germany have strong manufacturing industries, which can easily supply Croatia with packaged and many branded products. EU, CEFTA, and EFTA preferential trade agreements sometimes results in lower tariffs. Local and EU products have lower transport cost as well.

Total imports of food and agricultural products in 2002 was about $1 billion and in 2001 $845 million. The U.S. market share in 2001 was officially around 2 percent but since many goods are transhipped via the EU actual trade is probably higher. This percentage is relatively small because of long transportation, time lags, and some tariff benefits for EU countries. From 2000 to 2001 U.S. imports to Croatia increased for 148 percent (according to U.N. figures).

IV. Best Product Prospects

A. Products in the Market Which Have Good Sales potential

- Dried fruits and nuts

In 2001, Croatia imported over $11 million in dried fruits and nuts (dried apricots, dried prunes, dried grapes, dried fruits mixtures, ground nuts, almonds, hazelnuts, walnuts, pistachios, and nuts mixtures), a 24 percent increase in import value over 2000. Imports of dried fruits and nuts has risen consistently since

1998. U.S. imports accounts for only seven percent of the total Croatian dried fruit and nut imports in 2001 but actual U.S. sales are probably higher due to transshipments from wholesale suppliers in Western Europe. The European Union has duty free access to the Croatian market for raisins and Hungary and Poland have a tariff rate quota (TRQ) for peanuts. Demand for nuts and dried fruits by the HRI sector is small. However, these products may be offered as snacks in fast food restaurants and stands.

- Fish and fish products

In spite of Croatia=s lengthy Adriatic coastline the country is struggling to catch and produce seafood. Croatia lacks a modern fishing fleet as well as the infrastructure needed to transport and process seafood. Meanwhile the demand for seafood is increasing as Croatia becomes a more popular tourist destination. These factors make Croatia an excellent market for U.S. seafood. In 2001 Croatia imported seafood in value of $57 million. U.S. market share was four percent (according to U.N. database).

- Rice

Rice requirements in Croatia are met by fairly stable imports. The Croatian market is dominated by rice from Italy, Vietnam and Thailand. Officially, U.S. exports of rice to Croatia are minimal and in 2002 Croatia imported 145MT of rice from the United States. However, EU mills process and tranship U.S. long grain rice to Croatia, where they, as EU suppliers, enjoy duty-free entry. Rice imported directly from the U.S. has a two percent tariff.

B. Products not Present in Sufficient Quantities but Which Have Good Sales Potential

- Wine

In 2001 Croatia imported $4.9 million in wine, mostly from Slovenia , Italy, France, and Macedonia. The U.S. market share in 2001 was about three percent. In the near future, Croatia will adopt a new wine law. One effect of the new law is that EU wines will not be subject to costly and time consuming testing procedures, which could increase imports from European Union.

- Snack foods

The presence of the U.S. snack food brands is significant but most of it comes from EU or Croatian franchisees. Total import in 2001 were about 44 million U.S. dollars but less than one percent accounted for official U.S. exports.

- Fresh fruit

The value of annual fruit import in 2001 was about $56 million with negligible U.S. participation (according to U.N. trade data). There are some opportunities for U.S. citrus.

C. Products not Present Because They Face Significant Barriers

- Beef

Beef can not be imported from the United States because Croatia is demanding that a certificate of meat quality contain a statement that cattle was not fed with protein of animal origin. Other phytosanitary restrictions are also in place. Insufficient production and a ban beef imports from several supplying countries after outburst of BSE, has led to a beef shortage in Croatia. The total market for beef per year is 55,000 MT. It is estimated that in 2005 Croatia will need 64,000 to 76,000MT of beef.

- Pork

U.S. exporters may not currently ship to Croatia because there is no negotiated USDA/FSIS meat export certificate. The Croatian government requires trichinosis testing for pork imports despite the fact that freezing has been proven to be an effective control. USDA is in protracted negotiations to reach an agreement on this issue. Currently some frozen U.S. pork is coming through 'unofficial' channels.

In first three months of 2002, Croatia imported pork meat valued at $7.7 million. Of this, $5.6 million were swine cuts frozen (HS 020329) for the meat processing industry. Total imports for 2002 were $36.2 million, with the lion's share also being pork meat for the processing industry.
The biggest suppliers of pork for Croatia are: Hungary, Germany, Denmark, Holland and Austria.

Poultry

Croatian meat processing companies have started exporting to the EU and now buy mechanically deboned meat (MDM) only from EU approved plants and supplying countries, thereby shutting out U.S. firms. In 2001 the value of MDM poultry meat imports (HS 0207.41) was over $3 million. Last year's imports from the United States were $260,000 but in 2002 imports dropped to zero.

IV. Post Contact and Further Information

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At the FAS home page www.fas.usda.gov under Attaché Reports the following market relevant reports for Croatia are available: Food and Agricultural Import Regulations (FAIRS), Exporter Guide, Supermarkets and Market Research Firms, Food Processing Ingredients Sector; market briefs on the Croatian food market: Wine, Seafood, Pet food, Dried Fruit and Nuts, Rice, Poultry, Pork, Beef.

Number of hotels and restaurants, turnover in food and beverages in 2001

	Number	Turnover ($1,000)	Turnover in food and drinks ($1,000)
A. Enterprises/trade companies			
1. Hotels and restaurants	1,385	778,620	357,897
1.1 Hotels	335	584,909	194,419
1.1.1 Hotels and motels with restaurant	324	571,273	191,227
1.1.2. Hotels and motels without restaurant	11	13,636	3,192
1.2. Camping sites and other provision of short-stay accommodation	124	21,651	6,785
1.2.1. Youth hostels and mountain refuges	8	855	394
1.2.2. Camping sites, including caravan sites	50	14,221	2,407
1.2.3. Other provision of lodging for tourists	66	6,575	3,984
1.3. Restaurants	240	69,400	63,126
1.4. Bars	596	62,835	54,447
1.5. Canteens and catering	90	39,825	39,120
2. Hospital activities	8	5,769	2,492
Total A	**1,393**	**784,389**	**360,389**
B. Tradesman			
Hotels	30	5,591	N/a
Boarding houses	28	739	N/a
Motels	8	912	N/a
Overnight accommodations	8	355	N/a
Camping sites	20	395	N/a
Other accommodation establishments	74	1,620	N/a
Restaurants	752	45,189	N/a
Coffee-rooms	92	3,774	N/a
Inns	480	17,774	N/a
Taverns	338	6,354	N/a
Buffets	1,136	28,187	N/a
Bistros	859	28,020	N/a

Cafes	5,332	130,224	N/a
Wine cellars	334	10,544	N/a
Pastry shops	231	10,174	N/a
Pizzerias	286	13,081	N/a
Grills	282	13,769	N/a
The rest	900	23,799	N/a
Total B	**11,190**	**340,451**	**N/a**
Total A+B	**12,583**	**1,124,840**	**N/a**

Turnover by Company Type, 1997-2001 ($1000)

1997	1998	1999	2000	2001	
384,499	393,125	318,893	368,256	427,630	*Hotels*
10,108	9,721	7,682	6,474	6,590	*Motels*
1,942	2,517	2,538	3,138	3,327	*Boarding houses*
1,900	1,486	1,825	2,024	2,106	*Overnight accommodations*
59,390	65,291	55,248	64,398	73,024	*Tourist settlements*
46,965	55,389	51,057	58,052	70,161	*Camping sites*
6,331	4,025	4,065	4,230	4,822	*Spas and health establishments*
229	215	280	228	257	*Mountain lodges*
1,755	1,165	1,390	907	1,343	*Company vacation facilities*
2,334	1,839	2,165	2,355	2,095	*Vacation facilities for youth*
53,005	52,751	52,892	48,557	48,363	*Restaurants, full-service*
6,544	5,196	3,709	4,719	4,224	*Express restaurants and self-service restaurants*
1,676	1,357	561	1,118	788	*Soft-drink bars, with snacks*
27,252	20,480	18,627	15,346	17,421	*Canteens in working organizations*
23,237	23,451	22,869	16,117	17,177	*Student restaurants*
7,818	7,190	6,457	6,450	6,661	*Coffee-rooms*
511	304	633	1,184	821	*Night clubs*
8,885	7,307	5,339	4,751	3,851	*Snack bars*
9,711	14,957	20,612	22,089	21,908	*Cafes*
4,423	4,238	4,202	3,184	3,597	*Inns*
2,306	1,655	1,422	1,746	1,118	*Taverns*
26,506	22,767	16,996	14,045	13,222	*Buffets*
7,393	7,408	5,394	4,786	4,449	*Bistros*
5,499	4,651	4,711	3,875	4,007	*Beer halls*
914	1,557	1,720	1,635	2,923	*Wine cellars*

567	1,370	2,019	1,594	1,647	*Grills*
7,098	6,975	7,725	6,712	7,137	*Pizzerias*
9,286	7,648	5,989	5,141	4,913	*Pastry shops*
898	1,185	1,316	1,150	1,282	*Discotheques*
30,599	26,912	30,001	26,262	27,528	*Other catering business units*
749,583	**754,133**	**658,334**	**700,522**	**784,388**	**Total**

Sales of food and drinks from 1997to 2001 (in $1000) to Tourist Enterprises

	1997	**1998**	**1999**	**2000**	**2001**
Beer	35,901	33,777	30,081	29,253	29,596
Wine	21,210	20,055	18,080	17,488	18,474
Brandy	4,197	3,675	3,153	2,647	2,576
Other alcoholic drinks	14,787	13,168	11,748	10,495	10,613
Fruit juices and other non-alc.drinks	39,426	39,433	34,834	34,377	34,851
Mineral water	8,586	9,256	8,214	8,947	9,998
Food	224,205	226,110	202,611	204,189	228,575
Beverages	27,518	27,971	26,328	25,225	25,724
Total	**375,830**	**373,445**	**335,049**	**332,621**	**360,389**

Number and Types of Institutional Buyers

Institution	**Year**	**Number of facilities**	**Number of people/year**	**Extrapolated number of meals/day**
Prison	1999	20	30,000 (maximum 3,500 at one time)	10,500
Kindergartens	2001/2002	1,051	87,592(total in last 5 years 369,347)	369,347
School	2001/2002	2,779	595,100(total in last 5 years 3,047,808)	3,047,808
Higher education institutions	2001/2002	95	107,911(total in last 6 years 572,653)	1,145,306
Hospital	2001	78	700,143 (maximum 26,618 at one time)	79,854